

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7448

BILL NUMBER: HB 1644

NOTE PREPARED: Dec 31, 2004

BILL AMENDED:

SUBJECT: Insurance Fraud.

FIRST AUTHOR: Rep. Ripley

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill allows a state employee health benefit plan administrator, an insurer, or a health maintenance organization to investigate a claim believed to be falsely submitted. It also allows a court to order a provider convicted of fraud with respect to a claim to make restitution and pay certain costs related to the claim.

Effective Date: July 1, 2005.

Explanation of State Expenditures: The bill would require that the Department of Insurance post on its website the provider name and action taken if a state agency takes action against a provider based on a false statement or misleading claim. If the finding is overturned, reversed, or vacated on appeal, the posting requirement would not apply. The state would incur minimal increased administrative cost to post information to the website.

Background Information: Currently, the Department of Insurance posts enforcement actions to its website, requiring secretarial support to update the database and administrative support to post the updated database on the website. These functions require minimal time and represent a portion of the employees' total duties and responsibilities.

Explanation of State Revenues: *Civil Penalty:* Under current law, a state employee health benefits plan administrator (administrator), an insurer, or a health maintenance organization must process and pay clean claims within time periods specified in law, or face civil penalties assessed by the Commissioner of Insurance. Under the bill, administrators, insurers, and health maintenance organizations would be exempt from these time

periods for 30 days to allow the administrator, insurer, or health maintenance organization to investigate a claim that is believed to be false, or that falsely represents the services as medically necessary, or that contains false statements or representations. If the additional time to investigate clean claims increases the timeliness of paying clean claims, the state General Fund may forego civil penalty revenue imposed for late payment of clean claims. There are no data available to indicate the amount of civil penalties received for untimely payment of clean claims. The penalty levels set in statute refer to performance on a calendar year basis as follows.

Percentage of Clean Claims Paid	Civil Penalty Limit
At least 85%, but less than 95%	Up to \$10,000
At least 60%, but less than 85%	Between \$10,000 and \$100,000
Less than 60%	Between \$100,000 and \$200,000

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Insurance.

Local Agencies Affected:

Information Sources: Barbara Hayes, Department of Insurance.

Fiscal Analyst: Karen Firestone, 317-234-2106.